

Protection for the American Dream

Buying on credit is so nice. One look at us, and they charge twice.

— Stephen Sondheim
"America," "West Side Story," 1957.

It's the same old song 50 years later with so-called subprime lenders in Montgomery County. These lenders offer mortgages at higher interest rates than "prime" to borrowers who may be unable to obtain mortgages otherwise. The borrowers then are at a higher risk of default.

The siren song of these lenders, often described as "predatory lenders," goes something like "exploitation is my business, and business is good." They charge exorbitant front-end fees and back-end prepayment penalties. Their usurious interest rates hobble the ability of minorities and immigrants to participate in the American dream of homeownership.

Predatory lenders steer borrowers into economically crippling choices, a form of discrimination that used to be called racial redlining, because the lenders literally drew a red line around minority neighborhoods and refused to make fair mortgage loans available within the line. As bad as that was, today's version of predatory lending is worse.

"People can't buy a house. For people of color, the deck is stacked," Montgomery County Council President Tom Perez (D-Silver Spring) said last year. That is why he introduced a bill that the Montgomery County Council passed in November to dramatically increase the penalties for predatory lending. In response to the bill, which just went into effect this month, exploitative lenders have begun to leave the county ["Growing List of Lenders Leaving Montgomery," Business, March 3].

Under the county's revamped anti-discrimination code, fines rose from \$5,000 to as much as \$500,000 for each lending violation. The Perez bill also expanded the categories of what constitutes discriminatory lending to prohibit making or denying a loan based on race, color, religion, ancestry, national origin, sex, marital status, disability, the presence of children in the household, family responsibilities, source of income, sexual orientation or age.

Subprime lenders have filed a lawsuit to stop the bill, and earlier this month a Circuit Court hearing room was packed with mostly white men in suits who opposed the bill and minorities who favored it. Unfortunately, the lenders were

successful in getting Circuit Judge Michael D. Mason to place a 90-day injunction on the bill (Metro, March 8). The judge was convinced that the bill might harm mortgage lenders, although he pointed out that consumers could file complaints with state or federal authorities during the injunction period.

Regrettably, the federal government offers little relief for victims of predatory lending, and Maryland law fails to meet five of six minimum standards set by the federal Home Ownership and Equity Protection Act of 1994.

A study by the Center for Responsible Lending, a consumer advocacy group, found that laws against predatory lending reduce cases of abusive lending by 17 percent and often increase the availability of credit for people who need it most.

The center also found that laws such as the one introduced by Perez do not decrease the number of loans available in a given area and that borrowers end up paying about the same or lower interest rates as before. The center's report refuted industry claims that such legislation chokes off credit in the subprime mortgage market, where people with credit problems borrow and where most predatory lenders operate.

"For years, the debate over predatory lending has been conducted in an information vacuum," said Keith Ernst, the center's senior policy counsel and supervisor of the study. "Now we know, beyond a doubt, that these laws work and that they don't harm consumers."

The Brookings Institution recently found that Hispanics, Asians and blacks make up an increasing percentage of our region's population. The majority of children younger than 15 in this area now are minorities. Montgomery County must adapt to these changing demographics. The Perez bill does so by cleaning up shady lending practices that exploit the county's increasingly diversified population.

Opponents of the law targeting predatory lending complain that the new rules are too broad and too vague and that they grant the county's Human Rights Office too much authority to impose large penalties.

Compromise is always possible — as long as it leaves no room for predatory lending in Montgomery County. The Perez bill is a good one, and it should be preserved.